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Finance - Economics

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Thursday, October 19, 1916.

From now until the next British loan has crystallized in time, space and dimensions, everything more or less will have to wait upon it. It will have right of way. Other foreign borrowers will have to adjust themselves to circumstances. The money market is deeply interested. It is understood that the proceeds of the last \$250,000,000 loan not only have been all used up, but that a very large British indebtedness is now carried by the banks in a tentative way, almost like call loans. The effect of a new loan will be to convert this open banking account into a form of fixed security. In the mean time, the longer the operation is put off, the more effect the temporary financing is likely to have on the money market.

Whether the net earnings of the United States Steel Corporation for the third quarter, ended September 30, shall turn out to be \$100,000,000, \$98,000,000 or \$93,000,000, the minimum will be preposterous. These are things that could not have been dreamed of. Earnings beyond will be even greater, whether shipments hold up or not. It is true that output is tending slightly to fall, because existing facilities have been wearing out a little faster than new capacity could be brought in, and in consequence also of the shortage of cars and the scarcity and incoercibility of labor, but the average price per ton has risen fast enough to overcome every kind of disability. In the first quarter of this year the average profit of the United States Steel Corporation was \$15.26 per ton. In the second quarter it was \$20.70 per ton. In the third quarter, yet to be reported on, it is believed to have been over \$30 per ton, and it is probable that profits will go on rising, because new business has been booked on a rising scale of prices.

When the stock market does not rise in one mass and particular stocks are exploited, the conventional observation is that speculation is weary or top-heavy, and that manipulators have resorted to tricks of flattery. However, it is much more intelligent to deal in special things for particular reasons than merely to "bull the market," buying anything without reason. In the history of the Stock Exchange there has never been anything more spectacular than the rise to opulence of chronically impecunious corporations, as a result of war business. That their shares should be exploited in speculation is natural and inevitable.

A classic has been added to Wall Street's list of euphemisms. You will catch it over and over in the news. It is irresistible. It reads: "Directors are understood to be considering a readjustment of capitalization to a basis more nearly in conformity with asset value and earning power." It means that the directors think it seems and timely to make the capitalization more capacious, in order that it will be casier for the public to become share proprietors in the business. War prosperity has caused assets and earning power to overrun the capitalization, so that the stock in which the value is represented is too high for the average buyer. It is too valuable either to buy or sell. You increase the stock, and then there is room for everybody, and room also for speculation. It sounds altruistic, but it isn't.

The speculation in Russian rubles has all flattened out. Their value is unremoved by the news that negotiations for another Russian loan have been resumed with some hope of success. The discount of the ruble is owing to the fact that Russia is a debtor here. She has to buy dollars with rubles. Being the debtor, she is more in need of dollars than we are in need of rubles. The Russian demand for dollars with which to settle accounts in this country is greater than the American demand for rubles with which to settle accounts in Russia. Hence the decline of the ruble when it is priced in dollars. The purpose of placing a Russian loan here is to provide dollar credit with which to pay dollar debts, and the normal effect would be to cause a recovery in the dollar value of the ruble. But the ruble is suffering from the ill-success of a speculation in foreign exchange in which everybody was on one side. The last Russian loan was placed here on the basis of \$0.33-1-3 per ruble. The normal price in time of peace is \$0.51. If the ruble advanced above 33-1-3 cents there would be a profit in exchange for the holders of the loan. They had in effect a "call" on rubles

amounting to \$32,000,000 which mature November 1 and December 1, as well as to lend to the imperial government, for munitions purchased in Canada, \$25,000,000 in November and \$25,000,000 in December. As this latter operation will necessitate further borrowing later on, the banks have arranged to advance to the Dominion government \$25,000,000 in January and a further \$25,000,000 in February against four months' Treasury bills. During September approximately \$112,000,000 of the amount advanced by the imperial authorities for war purposes was funded and forms part of the collateral for the recent loan obtained in New York.

Money and Credit

Money on call at the New York Stock Exchange was steady, with the ruling rate unchanged from Wednesday at 3 per cent. The low was 2 1/2 and the close 2 3/4.

Time money on brokers' Stock Exchange collateral maintains a tone of moderate firmness, but the amount of business is small.

Ruling rates on money yesterday compared with a year ago were as follows:

	Yesterday	A year ago
Call money.....	3%	1 3/4%
Time money:		
60 days.....	3 1/4@3 1/2%	2 3/4@3%
90 days.....	3 1/2%	2 3/4@3%
4 months.....	3 1/2%	3%
5 to 6 mos.....	3 1/2%	3%

Commercial Paper.—The market is dull. Locally a few institutions are buying on a moderate scale, but the demand they represent is sufficient to absorb the supply in the market.

Official rates of discount at each of the twelve Federal districts are as follows:

	Maturity in days.	10d.	30d.	60d.	90d.
Boston.....	3	3 1/2	4	4	4
New York.....	3	4	4	4	4
Philadelphia.....	3	4	4	4	4
Cleveland.....	3 1/2	4	4 1/2	4 1/2	4 1/2
Richmond.....	4	4	4	4	4
Atlanta.....	3 1/2	4	4	4 1/2	4 1/2
St. Louis.....	3	4	4	4	4
Minneapolis.....	4	4	4	4 1/2	4 1/2
Kansas City.....	4 1/2	4	4 1/2	4 1/2	4 1/2
Dallas.....	3 1/2	4	4	4	4
San Francisco.....	3	3 1/2	4	4 1/2	4 1/2

Bank Exchanges.—The day's clearings at New York and other cities:

	Exchanges.	Balances.
New York.....	\$663,231,293	\$36,155,001
Boston.....	40,789,193	5,233,229
Baltimore.....	6,886,746	426,292
Chicago.....	83,851,363	6,322,695
Philadelphia.....	54,574,717	6,986,136

Sub-Treasury.—New York banks lost to the Sub-Treasury \$661,900.

Silver.—Bars in London, 23 1/2 pence; here in New York, 67 3/4 cents; Mexican dollars, 52 1/4@55 1/4.

Bank of England.—Reports an increase for the week in gold coin and bullion holdings of £78,722. Proportion of reserve to liabilities is now 23.30 per cent, against 26.27 per cent last week.

Other changes reported for the present week are as follows:

Gold.....	Inc. 4788,722
Total reserve.....	Inc. 945,000
Notes reserved.....	Inc. 907,000
Notes in circulation.....	Dec. 186,000
Public deposits.....	Inc. 454,000
Other deposits.....	Dec. 865,000
Other securities.....	Dec. 1,384,000

The detailed statement compares as follows with the same week last year:

Gold.....	1916. 1915.
Reserve.....	\$56,595,241 \$58,885,570
Notes reserved.....	38,336,000 44,762,225
Notes in circulation.....	36,518,000 44,609,929
Res. to liab.....	23.4% 31.4%
Circulation.....	34,847,000 32,573,245
Public deposits.....	55,530,000 46,128,445
Other deposits.....	110,491,000 93,380,914
Gov. securities.....	42,187,000 18,895,781
Other securities.....	101,391,000 98,618,396

Bank of France.—The weekly statement shows the following changes:

	Francs.
Gold holdings.....	Inc. 29,250,000
Silver holdings.....	Dec. 3,726,000
Notes in circulation.....	Dec. 228,877,500
General deposits.....	Inc. 195,911,000
Bills discounted.....	Inc. 16,923,000
Treasury deposits.....	Inc. 31,153,000
Advances.....	Dec. 1,702,000

Bank of Germany.—The statement of the Imperial Bank of Germany for the week of October 14 shows the following changes:

	Marks.
Total coin and bullion.....	Inc. 6,751,000
Gold.....	Inc. 8,200,000
Treasury notes.....	Dec. 29,645,000
Notes of other banks.....	Inc. 1,374,000
Bills discounted.....	Inc. 10,860,000
Advances.....	Inc. 4,900,000
Investments.....	Inc. 6,888,000
Notes in circulation.....	Dec. 103,698,000
Deposits.....	Inc. 73,336,000
Other liabilities.....	Inc. 28,336,000

Canada's Contribution.—Of far greater significance than the mere amount of the subscriptions to the September loan of \$100,000,000, says the Canadian Bank of Commerce in its October letter, is the evidence thus furnished of the national determination to supply money as well as men to carry on the war until a satisfactory peace is assured. With the proceeds of the loan the Minister of Finance will be able to provide for the requirements of the country, and for Treasury notes

The Dollar in Foreign Exchange

The market for foreign bills was quiet and changes were narrow and unimportant.

	Yesterday	Week ago
Sterling, demand.....	4.75 1/2	4.75 1/2
Sterling, sixty days.....	4.71 1/2	4.71 1/2
Sterling, ninety days.....	4.69 1/2	4.69 1/2
France, demand.....	5.84 1/4	5.84 1/4
France, cables.....	5.83 3/4	5.83 3/4
Guillemers, checks.....	41 1/4	40 7/8
Guillemers, cables.....	41 1/4	41
Reichsmarks, checks.....	70 1/2	70 1/2
Reichsmarks, cables.....	70 1/2	70 1/2
Lire, checks.....	6.49 3/4	6.47 3/4
Lire, cables.....	6.49	6.47
Swiss, checks.....	5.28 1/4	5.29
Swiss, cables.....	5.28	5.28 1/4
Austrian, kronen, ch'ks.....	11.93	11.99
Stockholm, kr., checks.....	28.40	28.45
Copenhagen, kr., ch'ks.....	28.20	28.25
Pesetas, checks.....	20.13	20.13
Rubles, checks.....	31.15	31.70

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange value.	Intrinsic value.
Pounds, sterling.....	\$4.75 1/2	\$4.86 2/3
France.....	0.171	0.193
Guillemers.....	0.41 1/4	0.40 2
Marks.....	0.17 6	0.23 8
Rubles.....	0.31 15	0.51 2
Lire.....	0.15 4	0.19 3
Crowns (Denmark).....	0.28 28	0.26 8
Crowns (Sweden).....	0.28 40	0.26 8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling for \$4.75 1/2; the intrinsic parity is \$4.86 2/3 per pound. Thus, you pay either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

U. S. FARM IMPLEMENTS FOR THE WHOLE WORLD

Heavy Demand for Such Products Expected After the War

Atlantic City, October 19.—American manufacturers of agricultural machinery will, in the opinion of Dr. Edward Ewing Pratt, of the Bureau of Foreign and Domestic Commerce, be called upon to restock the world with farm implements when European hostilities cease. This he said in the course of an address delivered here to-day before the annual convention of the National Implement and Vehicle Association, is to be expected, as Europe and all the countries of the world are almost entirely stripped of their stocks of agricultural implements and machinery. He added:

"The factories in the belligerent countries which have heretofore been producing agricultural machinery have been recently producing only a comparatively small proportion of their former output, and some of them have almost entirely ceased to produce agricultural implements. In some of the belligerent countries not only have the stocks of machines been exhausted, but agriculturists have been forced to resort to machinery of obsolete patterns and designs, and in some cases have gone so far as to piece together odd parts which happened to be in the warehouse. It has been almost impossible for many nations to get the heavier products among which the heaviest and clumsiest are agricultural machinery. The mere transportation expenses have been almost prohibitive."

The shortage of freight cars in the United States and Canada on October 1, amounting to 61,030 cars, was, according to "The Railway Age Gazette," the largest that ever existed on that date. "The Gazette" points out, however, that present shortage includes only 23,016 box cars, whereas in 1907—a year of heavy traffic—a shortage of 58,276 cars included 43,136 box cars.

Significant Relations

Money and Prices:

	Now.	A year ago.
Stock of money gold in the country.....	\$2,625,741,473	\$2,056,732,138
Latest report, June 30.....		Nearest period last year.
Loans of all national banks.....	\$7,679,000,000	\$6,659,971,000
Ratio of their cash to deposits.....	9.3%	11.9%
Loans of Federal Reserve Banks.....	\$99,486,000	\$43,365,000
Their note circulation, net.....	12,316,000	15,236,000
Their gold reserve against deposits and circulation.....	71.6%	82.3%
Average price of 15 railroad stocks.....	123.35	123.61
Average price of 12 industrial stocks.....	103.26	102.99
Food cost of living (Annalist index number).....	187.04	186.84
Production:		
Unfilled U. S. steel orders, tons.....	9,522,594	9,660,357
Wheat crop, bushels.....	607,557,000	1,012,000,000
Corn crop, bushels.....	2,717,932,000	3,055,000,000
Cotton crop, bales.....	11,637,000	11,191,320
Distribution:		
Shortage of freight cars.....	61,031	19,873
Surplus of freight cars.....		78,331
Gross railroad earnings.....		
Bank clearings.....		

Bank of Germany.—The statement of the Imperial Bank of Germany for the week of October 14 shows the following changes:

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FRENCH LOAN'S SUCCESS GROWS

120,000 Individuals Subscribed at Bank of France Alone

By YVES GUYOT.

Paris, Oct. 19.—The Bourse was calm to-day, realizations of subscriptions to the latest loan having a depressing effect on the volume of business. All indications, both in Paris and from the departments, concerning the loan are even more excellent than at first reported.

Official announcement that there were 120,000 individual subscribers to the loan at the Bank of France alone suggests the large total of subscriptions, especially when it is remembered they also were received at all the post offices, government financial bureaus of all kinds, and all other banks as well as the Bank of France.

The manoeuvre of Ballin, of the Hamburg-American line, in having the securities of the company quoted on the Amsterdam Bourse looks like an attempt to prevent ships of the line from being taken over after the war to help pay indemnity, on the ground they were partly owned by other countries than Germany. Any such move would be useless, however, as international law specifically forbids ships of belligerent countries being neutralized during the war. The Hamburg-American ships will be in a position to form an important part of the indemnity, as their value after the war will be in the neighborhood of 800,000,000 francs, in addition to which they will go a long way toward replacing ships sunk by German submarines' piracy.

French Imports Increasing

Washington, October 19.—French imports are still on the increase, according to figures of the French Customs Office received here. For the eight months of this year, compared with the like period last year, an increase of 1,419,351,000 francs in value of imports into France was noted.

The figures for this year are: Foodstuffs, 1,838,067,000 francs; materials for manufacture, 2,673,349,000; manufactured goods, 1,986,635,000, a total of imports of 6,498,041,000 francs. During the same period the amount of exports decreased about 9,000,000 francs.

TINPLATE WANTED FOR SHIPMENT TO ORIENT

Japan and India Are Both Seeking to Place Large Orders

The most interesting foreign inquiry in the steel market at the moment is for tinplate, largely for shipment to the Orient. India is seeking to place orders for 2,000,000 boxes and Japan for several hundred thousand boxes. In the aggregate a little over 3,000,000 boxes are needed to satisfy the foreign demand. It is highly probable that \$5.50 per base box will be demanded if any of this business is accepted by American mills, which are already crowded with domestic business for delivery over the first half, and even during the third quarter of next year. It is estimated that 75 per cent of domestic requirements for the first six months of 1917 already have been placed on the basis of \$6.75 to \$6 per base box, which is about \$1 a box higher than the list prices ever obtained prior to this year.

Cotton War Risks Lower

Galveston, Oct. 19.—War risk insurance rates on cotton from Galveston to Liverpool and Manchester for sailings during the next thirty days have virtually been cut in half, according to advices received to-day. The rate for belligerent ships is now quoted at 1 1/4 per cent, and on American ships of three-quarters of 1 per cent to Liverpool and Manchester. The Havre rate applying on belligerent ships is 1 1/2 per cent, and seven-eighths of 1 per cent on American ships.

Directors Named by Management Elected by Large Majority

Final counting yesterday of the voting proxies presented at the annual meeting of American Locomotive stockholders, which had been twice adjourned, showed that directors nominated by the management had been elected by a large majority. The meeting was adjourned on Tuesday and again on Wednesday because of objections raised by stockholders opposing the regular ticket to the methods employed by the company's tellers in counting the votes.

Great Britain Cuts Down Paper Imports

Imports of paper into the United Kingdom, according to advices from the United States Consul General at London, for the four months of November to February inclusive, will be reduced by one-half instead of one-third as heretofore under the regulations adopted by the royal commission on paper last February.

Paper, cardboard, strawboard, pasteboard, mill pulp board, manufactures of paper and cardboard, such as printing forms, writing paper, calendars, show cards, posters, labels, color and lithographic printing (other than in book form), catalogues and price lists printed for persons in the United Kingdom, and periodical publications exceeding sixteen pages imported otherwise than in single copies by post, are included under this regulation.

Relevant Information

United States Industrial Alcohol—Shares of this concern, in which there has been a revival of pool activity, reacted sharply yesterday, dropping to 136 after selling as high as 141 1/4. No dividends have been paid on the \$12,000,000 common since organization, ten years ago. Yet in July last Julius Kessler, chairman of the board, in an official statement said that "we have no hesitancy in stating that net earnings of our company for the six months ended July 1, 1916, were well over \$2,000,000." He also said that on that date the undivided surplus of the company amounted to \$7,626,769. The company has been selling large quantities of denatured alcohol to the Allies at high prices, and unofficially it has been reported that earnings for the full twelve months of the current year would exceed \$6,000,000, which would be equal to more than 45 per cent on the common. In 1915 35 per cent was earned on the common, with nothing paid. On the \$6,000,000 cumulative 7 per cent preferred outstanding the full dividends have been paid since 1907. An analysis of the company's earning power in the 1910-15 period discloses average annual net of \$1,011,035, equal to 16.85 per cent on the preferred and 4.93 per cent on the common after allowing for 7 per cent on the preferred.

General Electric.—Rising to 186, General Electric came within a fraction of equalling its high record, 186 1/4, made last month. This has been a regular 8 per cent dividend payer since 1901. Over a period of ten years it has shown average annual earnings of \$9,849,608, equal to 13.08 per cent on \$75,323,324, the average capital outstanding on which dividends were paid during the decade. Total capital stock now outstanding is \$101,511,200. Last year the company earned 11.57 per cent on this amount and showed a surplus of \$3,607,991. The value of orders electrical apparatus and devices in 1